

January 8, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**TEN YEAR LEASE
DEPARTMENT OF MENTAL HEALTH
10605 BALBOA BOULEVARD, GRANADA HILLS
(FIFTH) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached ten-year lease with Condor Partners, LLC (Lessor) for 25,016 rentable square feet of medical space with 100 parking spaces for the Department of Mental Health (DMH) San Fernando Valley Outpatient Clinic at a maximum initial annual cost of \$827,540 and to authorize the Chief Administrative Office (CAO) to lease up to an additional 980 square feet of office space pursuant to an option for additional space provided in the lease at the same terms, condition and rental rate per square foot, valid upon satisfactory proof to CAO of additional needs. These costs are funded by State and Federal funds.
2. Authorize the Lessor and/or Director of the Internal Services Department (ISD) at the direction of the CAO to acquire telephone systems for DMH at a cost not to exceed \$257,000. At the discretion of the CAO all or part of the telephone, data and low voltage systems may be paid in lump sum or financed over a five-year term not to exceed \$60,348 per year, in addition to other Tenant Improvement (TI) allowances provided under the lease.

3. Consider the Negative Declaration together with the fact that no comments were received during the public review process and find that the project will not have a significant effect on the environment or wildlife resources, and find that the Negative Declaration reflects the independent judgment of the County and approve the Negative Declaration; and authorize the CAO to complete and file a Certificate of Fee Exemption for the project.
4. Approve the project and authorize the CAO, DMH, and ISD to implement the project. The lease will be effective upon completion and acceptance of the improvements.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the proposed action will provide DMH with the ability to expand clinical services offered to constituents living in the north and northeast San Fernando Valley including the communities of Granada Hills, Mission Hills, San Fernando, Sylmar, Panorama City and North Hills.

- DMH currently operates in a 13,500 square foot outpatient clinic in Mission Hills that is severely overcrowded due to past and projected expansion of services. The proposed facility will provide sufficient space for the 99 employees including budgeted staff, volunteers, non-County staff and anticipated growth in order to incorporate new programs. If no suitable backfill plan can be developed in a timely manner, the lease for the existing clinic will be terminated effective upon DMH's vacation of that property.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we invest in public infrastructure, in order to strengthen the County's fiscal capacity. The lease of property supports this strategy by complying with the Strategic Asset Management Principles (Goal 4, Strategy 2, Objective 2). The proposed lease will house subvended programs in leased space as further outlined

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in Attachment A.

FISCAL IMPACT/FINANCING

The annual cost of this lease will initially range from a base rate of \$675,432 to a maximum of \$827,540 depending on the total amount of reimbursable TIs expended for the project.

Proposed Lease	10605 Balboa Boulevard, Granada Hills	Option Area
Area	25,016 rentable sq. ft.	980 rentable sq. ft.
Term	10 years	no change
Annual Base Rent	\$675,432 (\$27 sq. ft.)	\$26,460 (\$27 sq. ft)
TI Allowance		
Included in Base Rent	\$625,400 (\$25 sq. ft.)	\$24,500 (\$25 sq. ft.)
Maximum Additional TI*	\$1,000,640 (\$40 sq. ft.)*	\$39,200 (\$40 sq. ft.)*
Discretionary Allowance **	\$125,080 (\$5 sq. ft.)**	\$4,900 (\$5 sq. ft.)**
Maximum Annual Rent	\$827,540	\$32,419
Option to Extend	one 5 year option at 95 percent of market value	no change
Cancellation	anytime after 5 th year upon 180 days notice	no change
Parking included in Base Rent	100 spaces	4 spaces

* The maximum amount of additional TI dollars available for the project is \$1,000,640. Annually, that amount equates to \$152,108 when amortized at 9 percent over the ten-year term. In regards to the Option Area, if the maximum additional TI were expended to complete the Option Area, the annual rent would increase \$5,959/yr over the-ten year term assuming the entire Option Area was occupied.

** The Discretionary Allowance must be paid back in a lump sum. Therefore, annual rent is not changed.

Sufficient funding for the proposed lease is included in the 2001-02 Rent Expense Budget and will be charged back to DMH. Sufficient funding is available in DMH's Adopted Budget for 2001-02 to cover the projected lease costs. The lease costs are funded through a combination of Federal and State funds including Sales Tax Realignment revenues. Therefore, the entire cost associated with the subject lease, including the increased TI cost, would be offset through these revenues with no

additional net County cost.

The total estimated lease/purchase financing cost for the telephone system is \$257,000, or \$60,348 annually if financed over a five-year term. ISD plans to utilize the Telephone Equipment and Service Management Agreement (TESMA) to secure this system. The lease or purchase payment for the telephone system will begin upon acceptance of that system. Funds have been budgeted for the lease/purchase payment for the telephone system in the telephone utilities budget and with various ISD units for necessary ancillary work to be performed.

Should it be determined that the Lessor can provide the telephone system at the same cost or more economically, the recommendation herein allows for the payment of these costs to the Lessor, and at the discretion of the CAO, all or part of the telephone, data and low voltage system may be paid in lump sum or financed over the term.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Outpatient Clinic currently provides counseling, crisis walk-in, intervention, case management, rehabilitation, individual and group therapy services. The proposed facility will allow the clinic to expand its services including continuing education, job skills and children's programs.

The proposed ten-year lease comprises 25,016 square feet of medical space, 100 parking spaces, and the following provisions:

- Commencement upon completion and acceptance of the TIs, and termination ten years thereafter.
- Full service whereby the Lessor is responsible for all operating and maintenance expenses.

- Additional adjacent space in this building is available. Because DMH staff may be able to justify that space, the proposed lease also provides an option to lease up to an additional 980 square feet under similar terms and conditions to be exercised by the CAO.
- A cancellation provision allowing termination at or anytime after the 5th year by providing the Lessor 180 days prior written notice.
- A five-year option to renew at 95 percent of the fair market rent, subject to Board approval.
- A \$625,400 or \$25 per square foot TI allowance included in the base rental rate.
- A reimbursable, additional TI allowance up to \$1,000,640 or \$40 per square foot for furniture and additional TIs, which may be paid in a lump sum or amortized over the ten-year term at an annual interest rate of 9 percent.
- The Lessor will provide 100 parking spaces included in the rental rate, which is sufficient to meet the staff's parking needs. Moreover, visitors will be permitted to park in the on-site garage for up to two hours, at no charge.
- All TI expenditures shall be approved in writing by the CAO. All construction shall be in compliance with Paragraph 25, "Tenant Improvements" and the Tenant Improvement Work Letter attached as Exhibit G, and referenced in Paragraph 25, Section A of the proposed lease.
- No County Project Manager or employee, including the CAO, is authorized to approve any expenditure not expressly pre-approved by the Board of Supervisors. The Board of Supervisors will not approve retroactive expenditures. Any unapproved expenditures by the Lessor, even if it benefits the County, shall not be recovered by Lessor who shall solely bear the risk of loss for incurring such liabilities as stated in Paragraph 29 of the lease.

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CAO Real Estate staff surveyed the Northeast San Fernando Valley area as specified by DMH to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically. Attachment B shows all County owned and leased facilities within the search area for these programs. There are no County owned or leased facilities available for this program.

Based upon this survey, staff has determined that base rental range including parking is between \$23.28 and \$28.32 per square foot per year, full service gross. Thus the base annual rent for the subject facility of \$27 per square foot is within the range of market rates.

The proposed lease was submitted for review to your Board's appointed Real Estate Management Commission on October 25, 2001. After careful review, it was the Commission's decision to approve the proposed lease.

The Department of Public Works has inspected this facility and found it suitable for County's occupancy under a lease.

The placement of a child care facility in close proximity to a mental health outpatient clinic presents conflicts that would be very problematic. Therefore, inclusion of a child care facility is not recommended.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CAO has made an initial study of environmental factors and has concluded that this lease will have no significant impact on the environment and no adverse effect on wildlife resources. Accordingly, a Negative Declaration has been prepared and a notice posted on the site as required by the California Environmental Quality Act (CEQA) and the California Administrative Code, Section 15072. Copies of the completed Initial Study, the resulting Negative Declaration, and the Notice of Preparation of Negative Declaration as posted are attached. No comments to the Negative Declaration were received. A fee must be paid to the State Department of Fish and Game when certain notices are filed with the

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Registrar-Recorder/County Clerk. The County is exempt from paying this fee when your Board finds that a project will have no impact on wildlife resources.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO that the proposed lease is in the best interests of the County and will adequately provide the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, DMH concurs in this lease recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two original copies of the executed Lease, and two certified copies of the Minute Order, and the adopted, stamped Board letter to the CAO Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
CWW:CK:hd

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Attachments (5)

c: County Counsel
Auditor-Controller
Department of Mental Health
Internal Services Department

ATTACHMENT A

Department of Mental Health, 10605 Balboa Blvd., Granada Hills Asset Management Principles Compliance Form¹

	YES	NO	NA
1. <u>Occupancy</u>			
A Does lease consolidate administrative functions? ²	<u> </u>	<u> </u>	<u>X</u>
B Does lease co-locate with other functions to better serve clients?	<u> </u>	<u>X</u>	<u> </u>
C Does this lease centralize business support functions?	<u> </u>	<u> </u>	<u>X</u>
D Does lease meet the guideline of 200 sf of space per person? ² Ratio is 1 per 252 sf, as a clinic, it requires more space than typical offices require. This ratio is within compliance of the CAO's clinic guideline.	<u> </u>	<u>X</u>	<u> </u>
2. <u>Capital</u>			
A Should program be in leased space to maximize State/Federal funding?	<u>X</u>	<u> </u>	<u> </u>
B If not, is this a long term County program?	<u> </u>	<u> </u>	<u>X</u>
C Is it a net County cost (NCC) program? List % NCC 0%	<u> </u>	<u>X</u>	<u> </u>
D If yes to 2 B or C; capital lease or operating lease with an option to purchase?	<u> </u>	<u> </u>	<u>X</u>
E If no, are there any suitable County owned facilities available?	<u> </u>	<u> </u>	<u>X</u>
F If yes, why is lease being recommended over occupancy in County owned space?	<u> </u>	<u> </u>	<u>X</u>
G Is Building Description Report attached as "Attachment B"? ²	<u>X</u>	<u> </u>	<u> </u>
H Was build to suit or capital project considered? ² The cost to occupy the subject facility is substantially less than the cost associated with a build to suit structure.	<u> </u>	<u>X</u>	<u> </u>
3. <u>Portfolio Management</u>			
A Did department utilize CAO Space Request Evaluation(SRE)? ²	<u>X</u>	<u> </u>	<u> </u>
B Was the space need justified?	<u>X</u>	<u> </u>	<u> </u>
C If a renewal lease, was co-location with other County departments considered?	<u> </u>	<u> </u>	<u>X</u>
D Why was this program not co-located?	<u> </u>	<u> </u>	<u> </u>
1. <u> </u> The program clientele requires a "stand alone" facility.			
2. <u>X</u> No suitable County occupied properties occupied in project area.			
3. <u>X</u> No County owned facilities available for the project			
4. <u> </u> Could not get City clearance or approval			
5. <u> </u> The Program is being co-located			
E Is lease a full service lease? ²	<u>X</u>	<u> </u>	<u> </u>
F Has growth projection been considered in space request?	<u>X</u>	<u> </u>	<u> </u>
G Has the Dept. of Public Works completed seismic review/approval?	<u>X</u>	<u> </u>	<u> </u>

¹ As approved by the Board of Supervisors 11/17/98
written responses

Please **BOLD** any

² If not, why not?

ATTACHMENT B

SPACE SEARCH-SYLMAR, SAN FERNANDO, MISSION HILLS AND NORTH HILLS

LACO	FACILITY NAME	ADDRESS	SQUARE FEET GROSS	SQUARE FEET NET	OWNERSHIP	SQUARE FEET AVAILABLE
A47	DISPENSARY BRANCH CR DISTRICT OFFICE	1287 ARROYO ST, SYLMAR 91342	1340	905	LEASED	NONE
A47	ASSISTANT CR DISTRICT OFFICE	1300 BALBOA BLVD, SYLMAR 91344	3000	3300	LEASED	NONE
Y29	BARR/ JND OF JUV/HALL ADMINISTRATION BLDG 1	1630 HILBERT ST, SYLMAR 91342	864	523	OWNED	NONE
Y29	SYLMAR MENLE COURTHOUSE	1630 HILBERT ST, SYLMAR 91342	2440	1986	OWNED	NONE
Y61	BARR/ JND OF JUV/HALL NARGA SCHOOL CHC 4	1630 HILBERT ST, SYLMAR 91342	5158	4412	OWNED	NONE
A53	PUBLIC LIBRARY NEW SAN FERNANDO LIBRARY	217 N. MACLAY AVE, SAN FERNANDO 91340	800	688	LEASED	NONE
A86	ACTR PUBLIC DEFENDERS SAN FERNANDO OFFICE	338 N. MACLAY AVE, SAN FERNANDO 91340	340	340	LEASED	NONE
A36	SHERIFF SAN FERNANDO VALLEY VEHICLE THEFT ROOM	885 N. SIERRA BLVD, NORTH HILLS 91348	150	150	LEASED	NONE
Y48	SAN FERNANDO COURTHOUSE	910 3RD ST, SAN FERNANDO 91340	21225	11334	FINANCED	NONE
355	SAN FERNANDO COURTHOUSE ANNEX	919 1ST ST, SAN FERNANDO 91340	1785	1185	OWNED	NONE
046	DISHEN/ THE CITY	2221 COS, SAN FERNANDO	2244	843	OWNED	NONE